

Message Text

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ORIGIN EA-10

INFO OCT-01 ISO-00 AGR-05 CIAE-00 COME-00 EB-07 INR-07

LAB-04 NSAE-00 SP-02 STR-01 TRSE-00 CIEP-01 FRB-03

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DRAFTED BY EA/ROC KJWEAVER:BDS

APPROVED BY EA:LEEDMOND

EB/FTD - MR. WILLIAMS

USDA - MR. STEPHENS (INFO)

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R 031801Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI

INFO AMEMBASSY BANGKOK

AMEMBASSY MANILA

AMEMBASSY SEOUL

C O N F I D E N T I A L STATE 046927

E.O. 11652: GDS

TAGS: ETRD, TW, TH, RP, KS

SUBJECT: COTTON CONTRACT PROBLEM

REF: STATE 32751

1. ON FEBRUARY 28 ROC ECONOMIC COUNSELOR T.W. HU PRESENTED A LETTER TO EA DEPUTY ASSISTANT SECRETARY EDMOND FORMALLY REQUESTING USG EXTENSION OF CCC CREDIT TO FINANCE OVERDUE COTTON CONTRACTS AND PROPOSING THE FOLLOWING PROGRAM:

2. QUOTE: (1) ONLY COTTON CONTRACTS SIGNED PRIOR TO AUGUST 1, 1974 ARE ELIGIBLE FOR FINANCING UNDER THIS PROGRAM.

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QUOTE: (2) MY GOVERNMENT WISHES TO USE THE CCC

CREDIT TO FINANCE ONE HALF OF THE PURCHASE PRICE OF THE COTTON, INCLUDING COST, INSURANCE AND OCEAN FREIGHT. THE REMAINING AMOUNT WILL BE FINANCED BY CHINESE BANKS.

QUOTE: MY GOVERNMENT UNDERSTANDS THAT THE GOVERNMENT OF THE US IS CONSIDERING TO EXTEND A MAXIMUM AMOUNT OF US\$25,000,000 FOR THIS PURPOSE. AS THE TOTAL PURCHASE MAY EXCEED US\$50,000,000, MY GOVERNMENT WISHES THAT THE GOVERNMENT OF THE US WOULD CONSIDER TO EXTEND THE CREDIT TO COVER ALL THE COTTON UNDER THIS PROGRAM UP TO ONE HALF OF THE PURCHASE PRICE, AND NOT BE LIMITED TO \$25,000,000.

QUOTE: 3. MY GOVERNMENT WILL FURNISH TO THE GOVERNMENT OF THE US FOLLOWING INFORMATION FOR EACH PURCHASE CONTRACT AS SOON AS THEY ARE AVAILABLE:

- (A) NAME OF CHINESE BUYERS
- (B) NAME OF US SUPPLIERS
- (C) QUANTITY AND CONTRACT AMOUNT

QUOTE: 4. THE CREDIT IS TO BE FOR A PERIOD OF THREE YEARS. MY GOVERNMENT WILL DESIGNATE A BANK IN TAIWAN TO HANDLE THE LETTERS OF CREDIT UNDER THIS PROGRAM. MY GOVERNMENT WILL GUARANTEE FOR THE REPAYMENT TO CCC OF PRINCIPLE AND INTEREST ACCRUED. MY GOVERNMENT WILL ALSO UNDERTAKE TO TAKE APPROPRIATE MEASURES TO ENCOURAGE BUYERS IN MY COUNTRY TO ABIDE WITH CONTRACT TERMS AND TO EXPEDITE THE ESTABLISHMENT OF THE LETTERS OF CREDIT.

QUOTE 5. MY GOVERNMENT UNDERSTANDS THAT THE INTEREST RATE ON CCC CREDIT WILL BE ELEVEN PERCENT PER ANNUM ON 90 OF LETTER OF CREDIT AMOUNT AND TEN PERCENT PER ANNUM ON 10 OF LETTER OF CREDIT AMOUNT CONFIRMED BY THE CHINESE BANK TO THE AMERICAN BANK. IN VIEW OF THE FACT THAT THE CREDIT IS TO BE GUARANTEED BY THE GOVERNMENT OF THE REPUBLIC OF CHINA, IT IS HOPED THAT NO INTEREST DIFFERENTIAL BE REQUIRED.

QUOTE: FURTHERMORE, SINCE THERE IS AN OVERALL CONFIDENTIAL

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REDUCTION IN BANK INTEREST RECENTLY, MY GOVERNMENT HOPES THAT THE GOVERNMENT OF THE UNITED STATES WOULD CONSIDER TO REDUCE THE INTEREST RATE TO THE PREVAILING PRIME RATE. AND SHOULD SIMILAR CREDITS BE EXTENDED TO OTHER COUNTRIES AT RATES LOWER THAN THE RATE AGREED UPON, THE REPUBLIC OF CHINA SHALL BE ELIGIBLE TO ENJOY SIMILAR LOWER RATE. UNQUOTE

3. EDMOND STATED THAT THE GROG PROGRAM PROVIDED A GOOD BASIS FOR FURTHER DISCUSSIONS TO RESOLVE THE PROBLEM AND THAT A USG RESPONSE TO THE LETTER WOULD BE FORTHCOMING WITHIN THE NEXT WEEK. FYI. WE ARE NOW PREPARING A BASIC USG POSITION FOR USE IN DISCUSSIONS WITH ALL FOUR PROBLEM COUNTRIES. END FYI. COMMENTING ON SPECIFIC POINTS IN THE PROGRAM, EDMOND TOLD HU THAT CHANCES WERE SLIM THAT CCC CREDIT FUNDS IN EXCESS OF \$25 MILLION COULD BE MADE AVAILABLE. WE WOULD ALSO REQUIRE GROG GUARANTEES STRONGER THAN THOSE PROVIDED

PARA 2(4) ABOVE (MORE ALONG THE LINES OF PARA 1(C) REFTEL) THAT MILLS WOULD MEET THEIR CONTRACT OBLIGATIONS.

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Message Attributes

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Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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